

CONTRACT #10
RFS # 317.86-00020
FA # 06-16522

Finance & Administration
Benefits Administration

VENDOR:
UNUM - Provident Life
Insurance Company (Term Life)



STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
DIVISION OF BENEFITS ADMINISTRATION
William R. Snodgrass Tennessee Tower
312 Rosa L Parks Avenue, Suite 2600
Nashville, Tennessee 37243

Dave Goetz
COMMISSIONER

Phone: 615.741.4517
Fax: 615.253.8556

RECEIVED Laurie Lee
EXECUTIVE DIRECTOR

MAY 19 2010

FISCAL REVIEW

MEMORANDUM

TO: James White, Executive Director, Fiscal Review Committee

FROM: Laurie Lee 

DATE: May 19, 2010

RE: Amendments # 2 to Provident Life and Accident Insurance Company Contracts for Edison ID # 2034 and 2035

This is a request for a start date of July 1, 2010 for the amendments to these two contracts. These two amendments extend the term to December 31, 2012 for both the Optional Universal Life Insurance and Optional Term Life Insurance products and correspondingly additional funding is included for the extension years. An exception request for a contract term in excess of five years has been submitted and approved by Finance and Administration.

These amendments are not provided with the requested sixty day advance. Benefits Administration has worked with the vendor for both of these products to ensure favorable rates and is satisfied that the term extension is in the best interest of the State at this time.

Thank you for your consideration of this request.

Supplemental Documentation Required for Fiscal Review Committee

*Contact Name:	Marlene Alvarez	*Contact Phone:	615.253.8358
*Original Contract Number:	FA-06-16522- 00	*Original RFS Number:	317.86-028-06
Edison Contract Number: (if applicable)	Edison ID # 2035	Edison RFS Number: (if applicable)	31786-00020
*Original Contract Begin Date:	September 1, 2005	*Current End Date:	August 31, 2010
Current Request Amendment Number: (if applicable)		# 2	
Proposed Amendment Effective Date: (if applicable)		July 1, 2010	
*Department Submitting:		Finance & Administration	
*Division:		Benefits Administration	
*Date Submitted:		May 19, 2010	
*Submitted Within Sixty (60) days:		No.	
If not, explain:		Benefits Administration has been working with the vendor for fees upon the Comptroller's agreement to the additional term extension.	
*Contract Vendor Name:		Provident Life Insurance Company	
*Current Maximum Liability:		\$37,000,000.00	
*Current Contract Allocation by Fiscal Year: <i>(as Shown on Most Current Fully Executed Contract Summary Sheet)</i>			
FY: 2006	FY: 2007	FY: 2008	FY: 2009
FY: 2010	FY: 2011	FY: 2012	
\$28,000,000	\$1,000,000	\$1,000,000	\$3,500,000
\$3,500,000	\$1,000,000	\$1,000,000	
*Current Total Expenditures by Fiscal Year of Contract: <i>(attach backup documentation from STARS or FDAS report)</i>			
FY: 2006	FY: 2007	FY: 2008	FY: 2009
FY: 2010	FY:		
\$3,047,671.40	\$4,436,372.88	\$4,892,279.04	\$4,766,537.73
\$3,697,951.38	\$		
IF Contract Allocation has been greater than Contract Expenditures, please give the reasons and explain where surplus funds were spent:		Contract Per Member Per Month (PMPM) expenditures are based on estimates of annual plan membership for the term of the contract. Actual membership may vary from the original estimates during the term of each contract, and therefore funding needs may vary. Monthly funding of contract expenditures is obtained, on an as needed basis, from each separate plan funds (State Fund 55, Local Education Fund 56, and Local Government Fund 58). Plan fund revenues are obtained primarily from employer and employee premiums, which are annually set by the committees, and utilized for paying all health plan fund expenses (claims and	

Supplemental Documentation Required for
Fiscal Review Committee

	administrative expenses, etc.), and can only be utilized for that purpose.		
IF surplus funds have been carried forward, please give the reasons and provide the authority for the carry forward provision:	Under TCA –Title 8: Chapter 27-102 (a), 301 (b), and 207 (d) the State, Local Education and Local Government insurance committees have the authority to enter into contracts with insurance companies, claims administrators, and other organizations for some or all of the insurance benefits or services, including actuarial and consulting advice for the purpose of administering the state sponsored basic health plans. Monthly funding of contract expenditures are obtained, on an as needed basis, from each separate plan fund (State Fund 55, Local Education Fund 56, and Local Government Fund 58). By approving the one year contract extensions, the insurance committees have authorized the payment of expenses from the funds for the additional one year extension. The present estimated maximum liability of the contract is changed based on the estimate of the additional one year expenses due to the contract extension. These contracts are in allotment code 317.86 that is an off-line code and does not submit carry-forward letters. The insurance funds are billed each month and they each carry a fund balance which can be found on the Comprehensive Annual Financial Report (CAFR).		
IF Contract Expenditures exceeded Contract Allocation, please give the reasons and explain how funding was acquired to pay the overage:	FY 2007, 2008 and 2009 expenditures exceeded the allocation. Funding to pay these expenditures was provided from funding availability rolled forward from FY 2006.		
*Contract Funding Source/Amount:	State:		Federal:
Interdepartmental:	\$37,000,000.00		Other:
If "other" please define:			
Dates of All Previous Amendments or Revisions: <i>(if applicable)</i>		Brief Description of Actions in Previous Amendments or Revisions: <i>(if applicable)</i>	
June 2008 – Amendment # 1		Extends the term through June 30, 2010.	
Method of Original Award: <i>(if applicable)</i>		RFP	
*What were the projected costs of the service for the entire term of the contract prior to contract award?		The number of individuals who would select these plans made the projected costs difficult to project.	

Supplemental Documentation Required for Fiscal Review Committee

For all new non-competitive contracts and any contract amendment that changes Sections A or C.3. of the original or previously amended contract document, provide estimates based on information provided the Department by the vendor for determination of contract maximum liability. Add rows as necessary to provide all information requested.

If it is determined that the question is not applicable to your contract document attach detailed explanation as to why that determination was made.

Planned expenditures by fiscal year by deliverable. Add rows as necessary to indicate all estimated contract expenditures.

Deliverable description:	FY:	FY:	FY:	FY:	FY:
N/A					

Proposed savings to be realized per fiscal year by entering into this contract. If amendment to an existing contract, please indicate the proposed savings to be realized by the amendment. Add rows as necessary to define all potential savings per deliverable.

Deliverable description:	FY:	FY:	FY:	FY:	FY:
N/A					

Comparison of cost per fiscal year of obtaining this service through the proposed contract or amendment vs. other options. List other options available (including other vendors), cost of other options, and source of information for comparison of other options (e.g. catalog, Web site). Add rows as necessary to indicate price differentials between contract deliverables.

Proposed Vendor Cost: (name of vendor)	FY:	FY:	FY:	FY:	FY:
Other Vendor Cost: (name of vendor)	FY:	FY:	FY:	FY:	FY:
Other Vendor Cost: (name of vendor)	FY:	FY:	FY:	FY:	FY:

UNUM Provident ~ Term Life

STARS Contract # FA0616522

Edison Contract # 2035

FY 2009:

STARS 2,289,410.61

Edison 2,477,127.12

Total 4,766,537.73

<u>Fiscal Year</u>	<u>Expenditures</u>
FY 2006	3,047,671.40
FY 2007	4,436,372.88
FY 2008	4,892,279.04
FY 2009	4,766,537.73
YTD FY 2010	<u>4,131,573.16</u>
Total	18,226,762.81

Projection for Remainder of CY 2010

\$2,175,000.00

Projection for Extension to

NON-COMPETITIVE AMENDMENT REQUEST:

APPROVED

Commissioner of Finance & Administration

1) RFS #	31786 - 00020	
2) Procuring Agency :	Department of Finance and Administration	
EXISTING CONTRACT INFORMATON		
3) Service Caption :	Optional Term Life Insurance Plan, extends contract term to the full five years	
4) Contractor :	Provident Life Insurance Company	
5) Contract #	FA-06-16522-00 Edison ID # 2035	
6) Contract Start Date :	September 1, 2005	
7) CURRENT Contract End Date : (if ALL options to extend the contract are exercised)	June 30, 2010	
8) CURRENT Maximum Cost : (if ALL options to extend the contract are exercised)	\$37,000,000.00	
PROPOSED AMENDMENT INFORMATON		
9) Amendment #	2	
10) Amendment Effective Date : (attached explanation required if < 60 days after F&A receipt)	July 1, 2010	
11) PROPOSED Contract End Date : (if ALL options to extend the contract are exercised)	December 31, 2012	
12) PROPOSED Maximum Cost : (if ALL options to extend the contract are exercised)	\$39,000,000.00	
13) Approval Criteria : (select one)	<input checked="checked" type="checkbox"/> use of Non-Competitive Negotiation is in the best interest of the state <input type="checkbox"/> only one uniquely qualified service provider able to provide the service	
14) Description of the Proposed Amendment Effects & Any Additional Service :		
Extends the current contract through December 31, 2012 to allow time for the procurement of these services.		
15) Explanation of Need for the Proposed Amendment :		
The current contract will complete the five year term through this extension and during this time a procurement will be conducted to secure these services going forward.		
16) Name & Address of Contractor's Current Principal Owner(s) : (<u>not</u> required for a TN state education institution)		
Provident Life Insurance Company, One Fountain Square, Chattanooga, TN 37402		
17) Office for Information Resources Endorsement : (required for information technology service; n/a to THDA)		

Documentation is ... ☒ Not Applicable to this Request ☐ Attached to this Request

Documentation is ... ☒ Not Applicable to this Request ☐ Attached to this Request

Benefits Administration did not seek an alternative at this time. Benefits Administration considers the term extension appropriate, prudent and in the best interest of the Optional Term Life Insurance plan participants during the procurement period.

The contract is being extended for the full five years anticipated in the original document.

(must be signed & dated by the ACTUAL procuring agency head as detailed on the Signature Certification on file with OCR—signature by an authorized signatory will be accepted only in documented exigent circumstances)

SIGNATURE & DATE

RULE EXCEPTION REQUEST

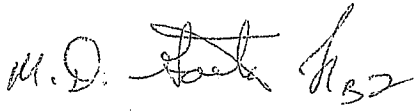
APPROVED

COMMISSIONER OF FINANCE & ADMINISTRATION

1	REQUEST RFS #	31786-00020
2	CONTRACT #	31786-00020"
3	SERVICE	Optional Term Life Insurance Plan, extends plan
4	CONTRACTOR	Provident Life Insurance Company
5	CONTRACT BEGIN DATE	September 1, 2005
6	CONTRACT END DATE (with ALL options to extend exercised)	December 31, 2012
7	CONTRACT MAXIMUM LIABILITY (with ALL options to extend exercised)	\$39,000,000.00
8	SUBJECT RULE	<input checked="checked" type="checkbox"/> 0620-3-3-.07(5) – prohibiting a contract term greater than five (5) years <input type="checkbox"/> 0620-3-3-.07(8) – prohibiting a contract with a former state employee in within six (6) months of termination <input type="checkbox"/> 0620-3-3-.07(22) – requiring that contractor travel expense reimbursement/compensation shall be subject to the prevailing state Comprehensive Travel Regulations (this request MUST also attach documentation of F&A Budget support of the request) <input type="checkbox"/> 0620-3-3-.05(5) – requiring a contract set forth the prescribed Nondiscrimination provision <input type="checkbox"/> OTHER – SECTION AND SUBSECTION NUMBER FOR F&A RULE GOVERNING PERSONAL, PROFESSIONAL, AND CONSULTING SERVICE CONTRACTS FOR WHICH AN EXCEPTION IS REQUESTED
9	EXCEPTION REQUESTED	
	B.2. <u>Term Extension</u> . The State reserves the right to extend this Contract for an additional period or periods of time provided that such an extension of the contract term is effected prior to the current, contract expiration date by means of an amendment to the Contract. If the extension of the Contract necessitates additional funding beyond that which was included in the original Contract, the increase in the State's maximum liability will also be effected through an amendment to the Contract, and shall be based upon payment rates provided for in the original Contract.	
10	JUSTIFICATION	
	Extends the contract term for two years six months and during this time a procurement will be conducted to secure these services going forward.	

1 REQUEST RFS #

31786-00020

AGENCY HEAD SIGNATURE & DATE (procuring agency head or authorized signatory)

M.D. [unclear] K32



CONTRACT AMENDMENT

Agency Tracking # 31786-00020	Edison ID 2035	Contract # FA-06-16522- 00	Amendment # 2		
Contractor Provident Life Insurance Company		Contractor Federal Employer Identification or Social Security # <input type="checkbox"/> C- or <input checked="" type="checkbox"/> V- 62-0331200			
Amendment Purpose/ Effects Extend the current term date through December 31, 2012 to allow time for the procurement for these optional term life insurance services.					
Contract Begin Date September 1, 2005	Contract End Date December 31, 2012	Subrecipient or Vendor <input type="checkbox"/> Subrecipient <input checked="" type="checkbox"/> Vendor	CFDA #(s)		
FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2006			\$28,000,000.00		\$28,000,000.00
2007			\$1,000,000.00		\$1,000,000.00
2008			\$1,000,000.00		\$1,000,000.00
2009			\$3,500,000.00		\$3,500,000.00
2010			\$3,500,000.00		\$3,500,000.00
2011			\$1,000,000.00		\$1,000,000.00
2012			\$1,000,000.00		\$1,000,000.00
TOTAL:			\$39,000,000.00		\$39,000,000.00
American Recovery and Reinvestment Act (ARRA) Funding - <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO					
— COMPLETE FOR AMENDMENTS —			Agency Contact & Telephone # Marlene Alvarez- Manager of Procurement & Contracting Tennessee Department of Finance & Administration, Benefits Administration 312 Rosa L. Parks Avenue, Suite 2600 Nashville, Tennessee 37243 615.253.8358		
END DATE AMENDED? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO			Agency Budget Officer Approval (there is a balance in the appropriation from which this obligation is required to be paid that is not otherwise encumbered to pay obligations previously incurred)		
FY	Base Contract & Prior Amendments	THIS Amendment ONLY			
2006	\$28,000,000.00				
2007	\$1,000,000.00				
2008	\$1,000,000.00				
2009	\$3,500,000.00		Speed Code IA-00000099		
2010	\$3,500,000.00				
2011	\$0.00	\$1,000,000.00			
2012	\$0.00	\$1,000,000.00	Account Code 79006000		
TOTAL:	\$37,000,000.00	\$2,000,000.00			

<p>— OCR USE —</p>	<p>Procurement Process Summary (non-competitive, FA- or ED-type only)</p>
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**AMENDMENT TWO
TO FA-06-16522-00**

This Contract Amendment is made and entered by and between the State of Tennessee, State Insurance Committee, hereinafter referred to as the "State" and Provident Life and Accident Insurance Company, hereinafter referred to as the "Contractor." It is mutually understood and agreed by and between said, undersigned contracting parties that the subject Contract is hereby amended as follows:

1. The text of Contract Section B.1. is deleted in its entirety and replaced with the following:

B.1. Contract Term. This Contract shall be effective for the period commencing on September 1, 2005 and ending on December 31, 2012. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified period.

2. The text of Contract Section B.2. is deleted in its entirety and replaced with the following:

B.2. Term Extension. The State reserves the right to extend this Contract for an additional period or periods of time provided that such an extension of the contract term is effected prior to the current, contract expiration date by means of an amendment to the Contract. If the extension of the Contract necessitates additional funding beyond that which was included in the original Contract, the increase in the State's maximum liability will also be effected through an amendment to the Contract, and shall be based upon payment rates provided for in the original Contract.

3. The text of Contract Section C.1. is deleted in its entirety and replaced with the following:

C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Thirty-nine Million Dollars (\$39,000,000.00). The rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the Contract or any extensions of the Contract for work not requested by the State. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the State requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the Service Rates detailed in Section C.3. The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract.

4. The text of Contract Section C.3. is deleted in its entirety and replaced with the following:

C.3. Payment Methodology. The Contractor shall be compensated based on the amount of life insurance elected by Plan Participants and the premium rates and administrative fees presented below, in a total amount not to exceed the Contract Maximum Liability established in Section C.1. The Contractor shall be compensated based upon the following Service Rates, in effect for the initial contract term September 1, 2005 – June 30, 2008, for the time period July 1, 2008 – June 30, 2009, for the time period July 1, 2009 – June 30, 2010, for the time period July 1, 2010 – December 31, 2011 and for the time period January 1, 2012 – December 31, 2012. The Contractor's compensation shall be contingent upon the satisfactory completion of services defined in Section A. The Contractor shall be compensated based upon the following rates:

Monthly Premium Rates Per \$1000 of Coverage for September 1, 2005 - June 30, 2008

Attained Age Brackets	Premium Rate/\$1000 (Employees & Spouses)
under 20	\$0.054
20-24	\$0.054
25-29	\$0.054
30-34	\$0.058
35-39	\$0.074
40-44	\$0.111
45-49	\$0.189
50-54	\$0.317
55-59	\$0.493
60-64	\$0.769
65-69	\$1.275
70-74	\$1.778
75-79	\$2.732
80 and over	\$4.937

Child Term Rider - \$2500 face amount \$0.25 per month.

Child Term Rider - \$5000 face amount \$0.50 per month.

Per Month Administrative Fees

- \$0.30 per month for employee coverage
- \$0.30 per month for spouse coverage
- \$0.00 per month for \$2500 child term rider
- \$0.00 per month for \$5000 child term rider

Monthly Premium Rates Per \$1000 of Coverage for July 1, 2008 - June 30, 2009

Attained Age Brackets	Premium Rate/\$1000 (Employees & Spouses)
under 20	\$0.049
20-24	\$0.049
25-29	\$0.049
30-34	\$0.053
35-39	\$0.067
40-44	\$0.101
45-49	\$0.172
50-54	\$0.288
55-59	\$0.449
60-64	\$0.700
65-69	\$1.160
70-74	\$1.618
75-79	\$2.486
80 and over	\$4.493

Child Term Rider - \$2500 face amount \$0.25 per month.

Child Term Rider - \$5000 face amount \$0.50 per month.

Per Month Administrative Fees

- \$0.30 per month for employee coverage
- \$0.30 per month for spouse coverage
- \$0.00 per month for \$2500 child term rider
- \$0.00 per month for \$5000 child term rider

Monthly Premium Rates Per \$1000 of Coverage for July 1, 2009 - June 30, 2010

Attained Age Brackets	Premium Rate/\$1000 (Employees & Spouses)
under 20	\$0.049
20-24	\$0.049
25-29	\$0.049
30-34	\$0.052
35-39	\$0.066
40-44	\$0.100
45-49	\$0.170
50-54	\$0.285
55-59	\$0.445
60-64	\$0.693
65-69	\$1.148
70-74	\$1.602
75-79	\$2.461
80 and over	\$4.448

Child Term Rider - \$2500 face amount \$0.25 per month.

Child Term Rider - \$5000 face amount \$0.50 per month.

Per Month Administrative Fees

- \$0.30 per month for employee coverage
- \$0.30 per month for spouse coverage
- \$0.00 per month for \$2500 child term rider
- \$0.00 per month for \$5000 child term rider

Monthly Premium Rates Per \$1000 of Coverage for July 1, 2010 – December 31, 2011

Attained Age Brackets	Premium Rate/\$1000 (Employees & Spouses)
under 20	\$0.046
20-24	\$0.046
25-29	\$0.046
30-34	\$0.049
35-39	\$0.062
40-44	\$0.094
45-49	\$0.160
50-54	\$0.268
55-59	\$0.418
60-64	\$0.651
65-69	\$1.079
70-74	\$1.506
75-79	\$2.313
80 and over	\$4.181

Child Term Rider - \$2500 face amount \$0.25 per month.

Child Term Rider - \$5000 face amount \$0.50 per month.

Per Month Administrative Fees

- \$0.30 per month for employee coverage
- \$0.30 per month for spouse coverage
- \$0.00 per month for \$2500 child term rider
- \$0.00 per month for \$5000 child term rider

Monthly Premium Rates Per \$1000 of Coverage for January 1, 2012 – December 31, 2012

Attained Age Brackets	Premium Rate/\$1000 (Employees & Spouses)
under 20	\$0.045
20-24	\$0.045
25-29	\$0.045
30-34	\$0.048
35-39	\$0.060
40-44	\$0.091
45-49	\$0.155
50-54	\$0.260
55-59	\$0.405
60-64	\$0.631
65-69	\$1.047
70-74	\$1.461
75-79	\$2.244
80 and over	\$4.056

Child Term Rider - \$2500 face amount \$0.25 per month.

Child Term Rider - \$5000 face amount \$0.50 per month.

Per Month Administrative Fees

- \$0.30 per month for employee coverage
- \$0.30 per month for spouse coverage
- \$0.00 per month for \$2500 child term rider
- \$0.00 per month for \$5000 child term rider

Payments to the Contractor shall be based upon payroll deduction information provided by the Contractor and payment of premium by former employees who are paying premium directly to the Contractor. The payroll deduction information shall be provided in a form and medium acceptable to the State and, at a minimum, shall include employees' identification numbers, the type(s) and amount(s) of coverage, and the deduction amounts.

5. The text of Contract Section E.6. is deleted in its entirety and replaced with the following:

- E.6. Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by certified, first class mail, return receipt requested and postage prepaid, by overnight courier service with an asset tracking system, or by EMAIL or facsimile transmission with recipient confirmation. Any such communications, regardless of method of transmission, shall be addressed to the respective party at the appropriate mailing address, facsimile number, or EMAIL address as set forth below or to that of such other party or address, as may be hereafter specified by written notice.

The State:

Ms. Marlene D. Alvarez, Manager of Procurement and Contracts
Benefits Administration
312 Eighth Ave. North
26th Floor, WRS Tennessee Tower
Nashville, TN 37243
E-mail Address: Marlene.Alvarez@state.tn.us
Telephone: 615.253.8358
Fax: 615.253.8556

The Contractor:

Mr. Ryan Chamberlain
Provident Life and Accident Insurance Company
One Fountain Square
Chattanooga, TN 37402
E-mail Address: RChamberlain@unum.com
Telephone: 423.294.5187
Fax: 423.209.4683

All instructions, notices, consents, demands, or other communications shall be considered effectively given upon receipt or recipient confirmation as may be required.

The revisions set forth herein shall be effective July 1, 2010. All other terms and conditions not expressly amended herein shall remain in full force and effect.

IN WITNESS WHEREOF:

PROVIDENT LIFE AND ACCIDENT INSURANCE COMPANY:

CONTRACTOR SIGNATURE

DATE

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY (above)

**STATE OF TENNESSEE,
STATE INSURANCE COMMITTEE:**

M. D. GOETZ, JR., CHARIMAN

DATE

APPROVED:

**M. D. GOETZ, JR., COMMISSIONER
DEPARTMENT OF FINANCE AND ADMINISTRATION**

DATE

JUSTIN WILSON, COMPTROLLER OF THE TREASURY

DATE


CONTRACT SUMMARY SHEET

021908

RFS #	Contract #
2035 317.86 - 028 - 06	FA-06-16522-01
State Agency	State Agency Division
Finance and Administration	Benefits Administration
Contractor Name	Contractor ID # (FEIN or SSN)
Provident Life Insurance Company	<input type="checkbox"/> C- or <input checked="" type="checkbox"/> V- 62-0331200

Service Description			
Optional Term Life Insurance amendment extends term to June 30, 2010.			
Contract Begin Date	Contract End Date	SUBRECIPIENT or VENDOR?	CFDA #
September 1, 2005	June 30, 2010	Vendor	

Mark Each TRUE Statement					
<input checked="" type="checkbox"/> Contractor is on STARS			<input checked="" type="checkbox"/> Contractor's Form W-9 is on file in Accounts		
Allotment Code	Cost Center	Object Code	Fund	Funding Grant Code	Funding Subgrant Code
317.86	53	906	55		
FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2006			\$28,000,000.00		\$28,000,000.00
2007			\$1,000,000.00		\$1,000,000.00
2008			\$1,000,000.00		\$1,000,000.00
2009			\$3,500,000.00		\$3,500,000.00
2010			\$3,500,000.00		\$3,500,000.00
TOTAL			\$37,000,000.00		\$37,000,000.00

COMPLETE FOR AMENDMENTS ONLY			State Agency Fiscal Contact & Telephone #	
FY	Base Contract & Prior Amendments	THIS Amendment ONLY	Laurie Lee, Executive Director 26 th Floor of the Tennessee Tower 615-253-2861	
2006	\$28,000,000.00		State Agency Budget Officer Approval	
2007	\$1,000,000.00			
2008	\$1,000,000.00			
2009		\$3,500,000.00	Funding Certification (certification required by T.C.A. § 9-4-5113 that there is a balance in the appropriation from which the obligated expenditures required to be paid that is not otherwise encumbered to pay obligations previously incurred)	
2010		\$3,500,000.00		
TOTAL	\$30,000,000.00	\$7,000,000.00		
End Date	June 30, 2008	June 30, 2010		

Contractor Ownership (complete for ALL base contracts - N/A to amendments or delegated authorities)					
<input type="checkbox"/> African American	<input type="checkbox"/> Person w/ Disability	<input type="checkbox"/> Hispanic	<input type="checkbox"/> Small Business	<input type="checkbox"/> Government	
<input type="checkbox"/> Asian	<input type="checkbox"/> Female	<input type="checkbox"/> Native American	<input checked="" type="checkbox"/> NOT Minority/Disadvantaged	<input type="checkbox"/> Other	

Contractor Selection Method (complete for ALL base contracts - N/A to amendments or delegated authorities)			
<input checked="" type="checkbox"/> RFP	<input type="checkbox"/> Competitive Negotiation *	<input type="checkbox"/> Alternative Competitive Method *	
<input type="checkbox"/> Non-Competitive Negotiation *	<input type="checkbox"/> Negotiation w/ Government (ID, GG, GU)	<input type="checkbox"/> Other *	

Procurement Process Summary (complete for selection by Non-Competitive Negotiation, Competitive Negotiation, OR Alternative Method)

REC'D
 2008 JUN 16
 CONFIRMED
 OFFICE OF
 MANAGEMENT
 SERVICES

OK-900
 5-16-10



**GENERAL ASSEMBLY OF THE STATE OF TENNESSEE
FISCAL REVIEW COMMITTEE**

320 Sixth Avenue, North - 8th Floor
NASHVILLE, TENNESSEE 37243-0057
615-741-2564

Rep. Charles Curtiss, Chairman
Representatives

Curt Cobb
Curtiss Johnson
Gerald McCormick
Mary Pruitt
Craig Fitzhugh, *ex officio*
Speaker Jimmy Naifeh, *ex officio*

Sen. Douglas Henry, Vice-Chairman
Senators

Doug Jackson
Bill Ketron
Paul Stanley
Randy McNally, *ex officio*
Lt. Governor Ron Ramsey, *ex officio*

Reginald Tate
Jamie Woodson

M E M O R A N D U M

TO: The Honorable Dave Goetz, Commissioner
Department of Finance and Administration

FROM: Charles Curtiss, Chairman, Fiscal Review Committee
Bill Ketron, Chairman, Contract Services Subcommittee

DATE: May 1, 2008

SUBJECT: **Contract Comments**
(Contract Services Subcommittee Meetings 4/21 & 4/28)

cc
BK

RFS# 317.86-028

Department: Finance and Administration/Benefits Administration

Contractor: UNUM (formerly Provident Life & Accident Insurance)

Summary: Vendor is currently responsible for underwriting and administering the State Optional Term Life Insurance Plan. The amendment reduces the rates by nine percent the first year and one percent the second year of the extension and extends the current contract an additional two years, through June 30, 2010. The maximum liability increases by \$7,000,000.

Maximum liability: \$30,000,000

Maximum liability with amendment: \$37,000,000

After review, the Fiscal Review Committee voted to recommend approval of the contract amendment.

cc: Ms. Laurie Lee, Executive Director
Mr. Robert Barlow, Director, Office of Contracts Review

REQUEST: NON-COMPETITIVE AMENDMENT

APPROVED

Commissioner of Finance & Administration

Date:

EACH REQUEST ITEM BELOW MUST BE DETAILED OR ADDRESSED AS REQUIRED.

1) RFS #	317.86-029	
2) State Agency Name :	Department of Finance and Administration	
EXISTING CONTRACT INFORMATION		
3) Service Caption :	Optional Universal Life Insurance, extends term	
4) Contractor :	Unum	
5) Contract #	FA-06-16434-00	
6) Contract Start Date :	September 1, 2005	
7) <u>Current</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :	June 30, 2008	
8) <u>Current</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :	\$17,500,000	
PROPOSED AMENDMENT INFORMATION		
9) <u>Proposed</u> Amendment #	One	
10) <u>Proposed</u> Amendment Effective Date : (attached explanation required if date is < 60 days after F&A receipt)	July 1, 2008	
11) <u>Proposed</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :	June 30, 2010	
12) <u>Proposed</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :	\$17,500,000	
13) Approval Criteria : (select one)	<input checked="" type="checkbox"/> use of Non-Competitive Negotiation is in the best interest of the state <input type="checkbox"/> only one uniquely qualified service provider able to provide the service	
14) Description of the Proposed Amendment Effects & Any Additional Service :		
Extends the contract term for two years, and maintains the universal life insurance premium rates in effect during the prior year for the two year extension period July 1, 2008 through June 30, 2010. Raises minimum interest crediting adjustment by 50 basis points (0.5%). Adds additional responsibilities regarding data interface with the Edison Project.		
15) Explanation of Need for the Proposed Amendment :		

The option to extend the term of the contract was included in the original contract, and the Contractor has agreed to maintain the premiums for the optional universal life product to the premium rates in effect during the prior year for the period July 1, 2008 through June 30, 2010. Raises minimum interest crediting rate adjustment by 50 basis points (0.5%). The Edison interface must be implemented by October 1, 2008.

16) Name & Address of Contractor's Current Principal Owner(s) :

(not required if proposed contractor is a state education institution)

Unum, 1 Fountain Square, Chattanooga, TN 37402

17) Documentation of Office for Information Resources Endorsement :

(required only if the subject service involves information technology)

select one:



Documentation Not Applicable to this Request



Documentation Attached to this Request

18) Documentation of Department of Personnel Endorsement :

(required only if the subject service involves training for state employees)

select one:



Documentation Not Applicable to this Request



Documentation Attached to this Request

19) Documentation of State Architect Endorsement :

(required only if the subject service involves construction or real property related services)

select one:



Documentation Not Applicable to this Request



Documentation Attached to this Request

20) Description of Procuring Agency Efforts to Identify Reasonable, Competitive, Procurement Alternatives :

At this time Benefits administration is agreeable to the continuation of the current premium rates negotiated with the Contractor and considers the term extension appropriate, prudent and in the best interest of the Universal life Insurance plan participants.

21) Justification for the Proposed Non-Competitive Amendment :

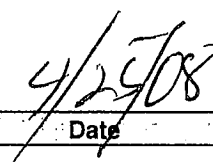
The continuation of the premium rates for the Optional Universal Life Insurance product, and the positive adjustment to the interest crediting rate is acceptable to the State and the Contractor is willing to accept the data interface requirements with Edison at no additional charge.

REQUESTING AGENCY HEAD SIGNATURE & DATE :

(must be signed & dated by the ACTUAL procuring agency head as detailed on the Signature Certification on file with OCR— signature by an authorized signatory will be accepted only in documented exigent circumstances)



Agency Head Signature



Date



RECEIVED

APR 15 2008

FISCAL REVIEW

STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
BENEFITS ADMINISTRATION
312 Eighth Avenue North
Suite 2600 William R. Snodgrass Tennessee Tower
Nashville, Tennessee 37243
Phone (615) 741-3590 or (800) 253-9981
FAX (615) 253-8556

Dave Goetz
COMMISSIONER

Laurie Lee
EXECUTIVE DIRECTOR

MEMORANDUM

To: James White, Executive Director, Fiscal Review Committee

From: Laurie Lee *LL*

Date: April 15, 2008

RE: Amendments for Unum Optional Term and Optional Universal Life Insurance

Please find attached a Non-Competitive Amendment request to extend the terms for both of these contracts signed by Commissioner Goetz. The original term extension language was included in both of these documents. The extensions reflect negotiated terms that are in the State's best interests. The amendments are both slated to take effect July 1, 2008.

The base contracts are included as are drafts of the amendments created to address the revised negotiated insurance premium rates and term extensions. For the optional universal life insurance the premium rates are maintained from the prior year and for the optional term life insurance the rates are reduced by 9% from the prior year.

Thank you for your consideration of this request.

C O N T A C T S U M M A R Y S H E E T

021908


RFS #	Contract #
317 . 86 — 028 — 06	FA-06-16522-01
State Agency	State Agency Division
Finance and Administration	Benefits Administration
Contractor Name	Contractor ID # (FEIN or SSN)
Provident Life Insurance Company	<input type="checkbox"/> C- or <input checked="" type="checkbox"/> V- 62-0331200

Service Description			
Optional Term Life Insurance amendment extends term to June 30, 2010.			
Contract Begin Date	Contract End Date	SUBRECIPIENT or VENDOR?	CFDA #
September 1, 2005	June 30, 2010	Vendor	

Mark Each TRUE Statement	
<input checked="" type="checkbox"/> Contractor is on STARS	<input checked="" type="checkbox"/> Contractor's Form W-9 is on file in Accounts

Allotment Code	Cost Center	Object Code	Fund	Funding Grant Code	Funding Subgrant Code
317.86	53	906	55		

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2006			\$28,000,000.00		\$28,000,000.00
2007			\$1,000,000.00		\$1,000,000.00
2008			\$1,000,000.00		\$1,000,000.00
2009			\$3,500,000.00		\$3,500,000.00
2010			\$3,500,000.00		\$3,500,000.00
TOTAL			\$37,000,000.00		\$37,000,000.00

COMPLETE FOR AMENDMENTS ONLY			State Agency Fiscal Contact & Telephone #
FY	Base Contract & Prior Amendments	THIS Amendment ONLY	Laurie Lee, Executive Director 26 th Floor of the Tennessee Tower 615-253-2861
2006	\$28,000,000.00		State Agency Budget Officer Approval 
2007	\$1,000,000.00		
2008	\$1,000,000.00		
2009		\$3,500,000.00	
2010		\$3,500,000.00	Funding Certification (certification required by T.C.A. § 9-4-5113 that there is a balance in the appropriation from which the obligated expenditure is required to be paid that is not otherwise encumbered to pay obligations previously incurred)
TOTAL	\$30,000,000.00	\$7,000,000.00	
End Date	June 30, 2008	June 30, 2010	

Contractor Ownership (complete for ALL base contracts — N/A to amendments or delegated authorities)			
<input type="checkbox"/> African American	<input type="checkbox"/> Person w/ Disability	<input type="checkbox"/> Hispanic	<input type="checkbox"/> Small Business
<input type="checkbox"/> Asian	<input type="checkbox"/> Female	<input type="checkbox"/> Native American	<input checked="" type="checkbox"/> NOT Minority/Disadvantaged
			<input type="checkbox"/> Government <input checked="" type="checkbox"/> Other

Contractor Selection Method (complete for ALL base contracts — N/A to amendments or delegated authorities)			
<input checked="" type="checkbox"/> RFP	<input type="checkbox"/> Competitive Negotiation *	<input type="checkbox"/> Alternative Competitive Method *	
<input type="checkbox"/> Non-Competitive Negotiation *	<input type="checkbox"/> Negotiation w/ Government (ID, GG, GU)	<input type="checkbox"/> Other *	

* Procurement Process Summary (complete for selection by Non-Competitive Negotiation, Competitive Negotiation, OR Alternative Method)	

REC
 2008 JUN 11
 COMPTROLLER OF
 MANAGEMENT SERVICES
 012-PCW
 5-16

**AMENDMENT ONE
TO FA-06-16522-00**

This Contract Amendment is made and entered by and between the State of Tennessee, State Insurance Committee, hereinafter referred to as the "State" and Provident Life and Accident Insurance Company, hereinafter referred to as the "Contractor." It is mutually understood and agreed by and between said, undersigned contracting parties that the subject Contract is hereby amended as follows:

1. The text of Contract Section B.1. is deleted in its entirety and replaced with the following:

B.1 Contract Term. This Contract shall be effective for the period commencing on September 1, 2005 and ending on June 30, 2010. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified period.

2. The text of Contract Section B.2. is deleted in its entirety and replaced with the following:

B.2. Term Extension. The State reserves the right to extend this Contract for an additional period or periods of time representing increments of no more than two (2) years and a total contract term of no more than five (5) years, provided that such an extension of the contract term is effected prior to the current, contract expiration date by means of an amendment to the Contract. If the extension of the Contract necessitates additional funding beyond that which was included in the original Contract, the increase in the State's maximum liability will also be effected through an amendment to the Contract, and shall be based upon payment rates provided for in the original Contract.

3. The text of Contract Section C.1. is deleted in its entirety and replaced with the following:

C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Thirty-seven Million Dollars (\$37,000,000.00). The rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the Contract or any extensions of the Contract for work not requested by the State. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the State requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the Service Rates detailed in Section C.3. The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract.

4. The text of Contract Section C.3. is deleted in its entirety and replaced with the following:

C.3. Payment Methodology. The Contractor shall be compensated based on the amount of life insurance elected by Plan Participants and the premium rates and administrative fees presented below, in a total amount not to exceed the Contract Maximum Liability established in Section C.1. The Contractor shall be compensated based upon the following Service Rates, in effect for the initial contract term September 1, 2005 – June 30, 2008, for the time period July 1, 2008 – June 30, 2009 and for the time period July 1, 2009 – June 30, 2010. The Contractor's compensation shall be contingent upon the satisfactory completion of services defined in Section A. The Contractor shall be compensated based upon the following rates:

Monthly Premium Rates Per \$1000 of Coverage for September 1, 2005 - June 30, 2008

Attained Age Brackets	Premium Rate/\$1000 (Employees & Spouses)
under 20	\$0.054
20-24	\$0.054
25-29	\$0.054
30-34	\$0.058
35-39	\$0.074
40-44	\$0.111
45-49	\$0.189
50-54	\$0.317
55-59	\$0.493
60-64	\$0.769
65-69	\$1.275
70-74	\$1.778
75-79	\$2.732
80 and over	\$4.937

Child Term Rider - \$2500 face amount \$0.25 per month.

Child Term Rider - \$5000 face amount \$0.50 per month.

Per Month Administrative Fees

- \$0.30 per month for employee coverage
- \$0.30 per month for spouse coverage
- \$0.00 per month for \$2500 child term rider
- \$0.00 per month for \$5000 child term rider

Monthly Premium Rates Per \$1000 of Coverage for July 1, 2008 - June 30, 2009

Attained Age Brackets	Premium Rate/\$1000 (Employees & Spouses)
under 20	\$0.049
20-24	\$0.049
25-29	\$0.049
30-34	\$0.053
35-39	\$0.067
40-44	\$0.101
45-49	\$0.172
50-54	\$0.288
55-59	\$0.449
60-64	\$0.700
65-69	\$1.160
70-74	\$1.618
75-79	\$2.486
80 and over	\$4.493

Child Term Rider - \$2500 face amount \$0.25 per month.

Child Term Rider - \$5000 face amount \$0.50 per month.

Per Month Administrative Fees

- \$0.30 per month for employee coverage
- \$0.30 per month for spouse coverage
- \$0.00 per month for \$2500 child term rider
- \$0.00 per month for \$5000 child term rider

Monthly Premium Rates Per \$1000 of Coverage for July 1, 2009 - June 30, 2010

Attained Age Brackets	Premium Rate/\$1000 (Employees & Spouses)
under 20	\$0.049
20-24	\$0.049
25-29	\$0.049
30-34	\$0.052
35-39	\$0.066
40-44	\$0.100
45-49	\$0.170
50-54	\$0.285
55-59	\$0.445
60-64	\$0.693
65-69	\$1.148
70-74	\$1.602
75-79	\$2.461
80 and over	\$4.448

Child Term Rider - \$2500 face amount \$0.25 per month.

Child Term Rider - \$5000 face amount \$0.50 per month.

Per Month Administrative Fees

- \$0.30 per month for employee coverage
- \$0.30 per month for spouse coverage
- \$0.00 per month for \$2500 child term rider
- \$0.00 per month for \$5000 child term rider

The Contractor shall submit monthly invoices, in form and substance acceptable to the State with all of the necessary supporting documentation, prior to any payment. Such invoices shall be submitted for completed services for the amount stipulated. Payments to the Contractor shall be based upon payroll deduction information provided by the Contractor and payment of premium by former employees who are paying premium directly to the Contractor. The payroll deduction information shall be provided in a form and medium acceptable to the State and, at a minimum, shall include employees' identification numbers, the type(s) and amount(s) of coverage, and the deduction amounts.

5. The text of Contract Section E.6. is deleted in its entirety and replaced with the following:

E.6. Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by certified, first class mail, return receipt requested and postage prepaid, by overnight courier service with an asset tracking system, or by EMAIL or facsimile transmission with recipient confirmation. Any such communications, regardless of method of transmission, shall be addressed to the respective party at the appropriate mailing address, facsimile number, or EMAIL address as set forth below or to that of such other party or address, as may be hereafter specified by written notice.

The State:

Ms. Marlene D. Alvarez, Manager of Procurement and Contracts
Benefits Administration
312 Eighth Ave. North
26th Floor, WRS Tennessee Tower
Nashville, TN 37243

E-mail Address: Marlene.Alvarez@state.tn.us
Telephone: 615.253.8358
Fax: 615.253.8556

The Contractor:

Ms Myra Fox
Provident Life Insurance Company
One Fountain Square
Chattanooga, TN 37402
E-mail Address: mfox@unum.com
Telephone: 423.294.1609
Fax: 423.209.4683

All instructions, notices, consents, demands, or other communications shall be considered effectively given upon receipt or recipient confirmation as may be required.

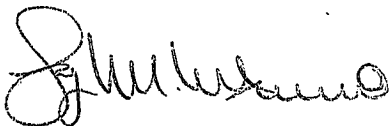
6. The following is added as Contract Section A.3.9.:

A.3.9. Following the conversion from the Tennessee Insurance System (TIS) to an Enterprise Readiness Planning System known as Edison, the Contractor shall provide on a date specified by the State, monthly change (adds, changes, terminations) billing statements to the State, which details the premiums due for enrolled active employees. This detail shall be submitted via an electronic means in a format provided by the State. In accordance with Public Law 104-191, HIPAA, all EPHI data will be protected both in transit and at rest. Data will be transferred via secure file transfer protocol (SFTP). While residing on the State SFTP server, data will be protected via encryption. Encryption and decryption will be performed using products available via State contract. The Contractor shall deposit and retrieve data on the State SFTP server. Following the conversion from TIS to Edison, the requirements outlined in A.3.7 and A.3.8 will no longer apply.

The revisions set forth herein shall be effective July 1, 2008. All other terms and conditions not expressly amended herein shall remain in full force and effect.

IN WITNESS WHEREOF:

PROVIDENT LIFE INSURANCE COMPANY:



May 23, 2008

CONTRACTOR SIGNATURE

DATE

Jay M. Menario, Vice Pres., Prod Development

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY (above)

**STATE OF TENNESSEE,
STATE INSURANCE COMMITTEE:**

M. D. Goetz, Jr.
M. D. GOETZ, JR., CHAIRMAN

5-8-08
DATE

APPROVED:


M. D. Goetz, Jr. /KW
M. D. GOETZ, JR., COMMISSIONER
DEPARTMENT OF FINANCE AND ADMINISTRATION

JUN 11 2008
DATE

John G. Morgan
JOHN G. MORGAN, COMPTROLLER OF THE TREASURY

6/12/08
DATE

C O N T R A C T S U M M A R Y S H E E T

RFS Number: 317.86-029		Contract Number: to be assigned F/A-06-16434-cu	
State Agency: F&A		Division: Insurance Admin. Paul Hauser, 741-9896	
Contractor: Provident Life and Accicent		Contractor Identification Number: 62-0331200	
		<input checked="" type="checkbox"/> V- <input type="checkbox"/> C-	
Service Description			
optional Universal Life Insurance			
Contract Begin Date: September 1, 2005		Contract End Date: August 31, 2008 JUNE 30, 2008	
Allotment Code	Cost Center	Object Code	Fund
317.86	52	905	55
		<input type="checkbox"/> on STARS	
FY	State Funds	Federal Funds	Interdepartmental Funds
2006			11,500,000
2007			2,000,000
2008			2,000,000
2009			2,000,000
Total:		17,500,000	
CFDA #	Check the box ONLY if the answer is YES.		
State Fiscal Contact		Is the Contractor a SUBRECIPIENT? (per OMB A-133)	
Name:	John Anderson	Is the Contractor a VENDOR? (per OMB A-133)	
Address:	13 th Floor, WRS Tennessee Tower, 312 8 th Av No	X	
Phone:	Nashville, TN 37243	Is the Fiscal Year Funding STRICTLY LIMITED?	
	615-741-8642		
Procuring Agency Budget Officer Approval Signature		Is the Contractor on STARS?	
		Is the Contractor's FORM W-9 ATTACHED?	
		Is the Contractors Form W-9 Filed with Accounts?	
X			
COMPLETE FOR ALL AMENDMENTS (only)		Funding Certification	
	Base Contract & Prior Amendments	Pursuant to T.C.A., Section 9-6-113, I, M. D. Goetz, Jr., Commissioner of Finance and Administration, do hereby certify that there is a balance in the appropriation from which this obligation is required to be paid that is not otherwise encumbered to pay obligations previously incurred.	
END DATE →	August 31, 2008		
FY 2006	11,500,000		
FY 2007	2,000,000		
FY 2008	2,000,000		
FY 2009	2,000,000		
Total:	17,500,000		

RECEIVED
 JUNE 20 2008
 OFFICE OF
 MANAGEMENT SERVICES

**CONTRACT
BETWEEN THE STATE OF TENNESSEE,
STATE INSURANCE COMMITTEE
AND
PROVIDENT LIFE AND ACCIDENT INSURANCE COMPANY**

This Contract, by and between the State of Tennessee, State Insurance Committee, hereinafter referred to as the "State" and Provident Life And Accident Insurance Company, hereinafter referred to as the "Contractor," is for the provision of Optional Universal Life Insurance, as further defined in the "SCOPE OF SERVICES."

The Contractor is a for-profit. The Contractor's address is:
Provident Life And Accident Insurance Company
One Fountain Square
Chattanooga, TN 37402

The Contractor's place of incorporation or organization is Tennessee.

A SCOPE OF SERVICES:

A.1 SERVICES PROVIDED BY THE CONTRACTOR

- A.1.1 Underwrite and administer the State Optional Universal Life Insurance Plan in accordance with this Contract, the Group Master Policy, Amendment 1 to RFP #317.86-029 (the State's Response to Proposer Comments, Questions and Clarifications), RFP #317.86-029, and the Contractor's Technical and Cost proposals submitted in response thereto.
- A.1.2 Provide customary home office services and functions including but not limited to actuarial services, policy and certificate issuance, administration and accounting. Assign an account representative to coordinate the administrative, coverage, and customer service activities.
- A.1.3 Provide a group master policy and individual certificates of insurance, and prepare amendments and riders as needed, which may, from time to time, be deemed appropriate by the State. Upon enrollment, mail the certificate of insurance to employee's home address.
- A.1.4 Prepare, in consultation with and following approval by the State, and provide descriptive employee booklets, enrollment materials, and administrative forms and manuals.
- A.1.5 Provide advice and assistance with regard to questions concerning eligibility, effective dates, benefits and coverage, and cessation of coverage as raised by the State, state departments and agencies, individual employees and retirees and/or survivors.
- A.1.6 Process statements of health for delayed or revised enrollments.
- A.1.7 Provide advice, assistance and information with regard to applicable Federal and State laws, court holdings and regulations affecting group insurance, and other Program related matters as needed.
- A.1.8 Provide for continuation of insurance through individual life policies, converted upon cessation of coverage under the State of Tennessee group policy. Premiums under this arrangement will be collected directly from retirees and employees converted to individual policies. Premium for continuation of individual certificates shall be the same as those for employees. Employees who terminate their employment are to be notified by the Contractor of their options through written correspondence. Such notification shall be the responsibility of the Contractor.
- A.1.9 Make all required reports to the United States Internal Revenue Service.
- A.1.10 Provide a toll-free telephone number for inquiries from state employees.
- A.1.11 Provide all services associated with, and administer, the policy loan provision.

- A.1.12 Calculate surrender values and make cash payments upon surrender of policy.
- A.1.13 Provide an annual statement to participating employees at their home address which indicates, on a month to month basis, at a minimum:
- amount of insurance
 - monthly premium
 - monthly interest credits
 - monthly cost of insurance
 - current cash value
 - policy loans outstanding
 - rates of interest credited during the year
- A.1.14 Provide annual enrollment information to potential or current participants at their home address.
- A.1.15 Provide a full range of actuarial services related to the insurance provided through this Contract in addition to the reports required in Section A.2. Such services shall be certified by a Fellow of the Society of Actuaries or a member of the American Academy of Actuaries.
- A.1.16 In conjunction with the State of Tennessee, conduct orientations and training for personnel of State agencies concerning the provisions of and administration of the Plan.
- A.1.17 Provide all necessary forms for submission and processing of claims.
- A.1.18 Process all claims on a prompt, timely and accurate basis.
- A.1.19 Furnish to each claimant information regarding the payment or rejection of claims.
- A.1.20 Maintain a service office to process claims and assist with inquiries, correspondence, unusual claim situations or problems, employee orientation and related matters.
- A.1.21 Confirm eligibility on each claim as submitted.
- A.1.22 Assess applications for the advanced payment of life insurance benefits as provided in the Group Master Policy.
- A.1.23 Attend quarterly administrative meetings to discuss operational issues, customer service concerns and the planning of annual transfer period activities. The scheduling of such meetings will be the prerogative of the State.
- A.1.24 Provide an annual notification to plan participants which indicates the types of coverage available, premium amounts, policy terms and conditions. Such notification shall be provided to the subscribers home address.
- A.2 Data and Specific Reporting Requirements**
- A.2.1 The Contractor shall maintain, in its computer system, in-force enrollment records of all Universal Term Life Insurance plan insured members.
- A.2.2 Provide, within sixty (60) days of the end of each calendar quarter, Quarterly Management Reports (including year to date data), which shall include the following:
- Number of certificates in force by type of coverage and gender
 - Total amount of insurance in force by type of coverage
 - Premium earned by type of coverage
 - Cost of Insurance amounts earned by type of coverage
 - Gross and net claims paid by type of coverage
- A.2.2.1 Provide, within sixty (60) days of the end of each calendar year, a listing of the number of participant lives and volume of insurance coverage by issue and attained age. The listing will distinguish between

premium payment method (payroll deduction and pay direct) and provide separate counts for employees and spouses. The data will reflect enrollment at December 31.

- A.2.2.2 Provide within sixty (60) days of the end of each calendar year, a monthly listing of the distribution of premium (The Premium Disbursal Report).
- A.2.2.3 Provide within sixty (60) days of the end of each calendar year, a monthly listing of the policies issued including face amount, annual premium, cash value, and tally of policies which were in effect as of the end of the calendar year (The Policy Master Report).
- A.2.3 The Contractor shall submit an Annual Financial Experience Report.
- A.2.4 The Contractor shall submit such ad hoc reports as are deemed by the State to be necessary, to analyze the Optional Universal Life Insurance plan. The exact cost, format, frequency and due dates for such reports shall be mutually agreed with the Contractor.
- A.3 **Enrollment and Premium Administration System(s)**
 - A.3.1 The Contractor shall support employee payroll deductions and direct payments made to the State. Employees will make premium payments for themselves and their dependent(s) through payroll deductions. The Contractor is responsible for collecting premiums for retirees and employees converted to individual policies.
 - A.3.1.1 When refund of premiums to members is necessary, the Contractor shall be responsible for such return.
 - A.3.2 The Contractor shall provide, on a date specified by the State, (typically the 10th calendar day of each month) monthly billing statements to the State, which details the premiums due for enrolled active employees. This detail shall be submitted via an electronic means in the Tennessee Insurance System (TIS) records format (RFP Appendix 7.6). Electronic transfer shall be via a State Virtual Private Network (VPN), or other mutually agreed means. Upon payment of the premium by the State, the Contractor shall reconcile the payment and monthly billing statement within 10 business days.
 - A.3.2.1 **Batch Transaction Error Report:** For the purpose of maintaining accuracy in premium billing, the Contractor shall:
 - monthly submit to the State premium billing data (format and medium to be mutually agreed);
 - reconcile to its Enrollment Data records the State's *Batch Transaction Error Report* (generated by the State, as required under Section A.4.5);
 - provide, with the next premium billing data, any corrections that should be made from the *Batch Transaction Error Report*.
 - A.3.3 The Contractor shall provide, on a date specified by the State (typically the 10th calendar day of each month), monthly enrollment updates to the State, which details coverage information adds, changes, and terminations for each enrolled active employee and/or dependents. This detail shall be submitted via electronic means in the Tennessee Insurance System (TIS) records format (RFP Appendix 7.6). Electronic transfer shall be via a State Virtual Private Network (VPN), or other mutually agreed means.
 - A.3.4 The Contractor shall maintain an electronic data processing (EDP) and electronic data interface (EDI) environment. The Contractor shall have a disaster recovery plan for restoring the application software and current master files and for hardware backup if the production systems are destroyed.
 - A.3.5 The Contractor shall maintain an electronic data interface with the State's Tennessee Insurance System (TIS), for the purpose of accessing State member enrollment information. The Contractor is responsible for equipping itself with the hardware and software necessary for achieving and maintaining access via the Internet, using IBM's Host On Demand software provided by the State.
 - A.3.6 The Contractor shall maintain, in its computer system, in-force enrollment records of all Optional Universal Life Insurance plan insured members.

A.3.7 **Weekly Enrollment Update:** To ensure that the Optional UL Members' enrollment records remain accurate and complete, the Contractor commits to the following:

- To accept weekly enrollment data electronic transfer files, in the Tennessee Insurance System (TIS) records format, from the State, for Optional UL participants (files will include demographic changes, recent additions, changes, and terminations); electronic transfer shall be via a State Virtual Private Network (VPN), or other mutually agreed means;
- To process updates of all weekly file records within three (3) working days of receipt of the files from the State;
- To resolve mismatches identified by the processing of weekly files within six (6) calendar days of receipt of the files from the State; and
- To complete and submit to the State, within five (5) working days of receipt of the weekly files, a *Weekly Enrollment Update Report* (see RFP Appendix 7.6).

For the purpose of this requirement, "mismatches" are defined as: Any difference of values between the State and Contractor's enrollment databases.

A.3.8 **Quarterly Enrollment Data Reconciliation:** To ensure that Optional UL Members' enrollment records remain accurate and complete, the Contractor commits to the following:

- To accept quarterly enrollment data electronic transfer files, in the Tennessee Insurance System (TIS) records format, from the State, for Optional Term participants; electronic transfer shall be via a State Virtual Private Network (VPN), or other mutually agreed means;
- To compare the State's full file of State enrollees quarterly with the Contractor's database of State members within five (5) working days of receipt of the file from the State;
- To resolve all discrepancies identified by the reconciliation processing of the quarterly files within ten (10) calendar days of receipt of the enrollment files from the State; and
- To complete and submit to the State, within eleven (11) calendar days of receipt of the quarterly files, the *Quarterly Enrollment Update Report* (see RFP Appendix 7.6). For the purpose of this requirement, "mismatches" are defined as: Any difference of values between the State's and Contractor's enrollment databases.

A.4 **SERVICES PROVIDED BY THE STATE**

- A.4.1 Make payroll deduction of the premium, as elected by the participating employees, and remit those funds to the Contractor within forty five (45) days of the effective date of coverage.
- A.4.2 Provide such information to the Contractor as is necessary, in the opinion of the State, for the underwriting and administration of the Plan.
- A.4.3 Assist in the enrollment of state employees in the Plan.
- A.4.4 Provide, on a quarterly basis, the full population enrollment tape for reconciliation purposes.
- A.4.5 Generate and provide to the Contractor, as required under Contract Section A.3.2.1, a *Batch Transaction Error Report*.

B **CONTRACT TERM:**

- B.1 **Contract Term.** This Contract shall be effective for the period commencing on September 1, 2005 and ending on June 30, 2008. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified period.
- B.2 **Term Extension.** The State reserves the right to extend this Contract for an additional period or periods of time representing increments of no more than one year and a total contract term of no more than five (5) years, provided that the State notifies the Contractor in writing of its intention to do so at least Two Hundred Seventy (270) days prior to the contract expiration date. An extension of the term of this Contract will be effected through an amendment to the Contract. If the extension of the Contract necessitates additional funding beyond that which was included in the original Contract, the increase in the State's maximum liability will also be effected through an amendment to the Contract and shall be based upon rates provided for in the original contract.

C PAYMENT TERMS AND CONDITIONS:

- C.1 **Maximum Liability.** In no event shall the maximum liability of the State under this Contract exceed Seventeen Million, Five Hundred Thousand Dollars (\$17,500,000). The Service Rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The Service Rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the Contract or any extensions of the Contract for work not requested by the State. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the State requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the Service Rates detailed in Section C.3. The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract.

- C.2 **Compensation Firm.** The Premium Rates, Cost of Insurance Rates, and Administrative Fees listed in Section C.3 and the Maximum Liability of the State under this Contract are firm for the duration of the Contract and are not subject to increase for any reason unless amended.

- C.3 **Payment Methodology.** The Contractor shall be compensated based on the amount of insurance elected by Plan Participants and the Premium Rates and Administrative Fees listed below in a total amount not to exceed the Contract Maximum Liability (Section C.1). These rates shall be in effect for the initial three year contract term (September 1, 2005 – June 30, 2008) and any extensions thereof:

C.3.1 **Monthly Premium Rates per \$1000 of Coverage: Life only charges**

Issue Age	Premium Rate/\$1000 (Employees & Spouses)	Issue Age	Premium Rate/\$1000 (Employees & Spouses)	Issue Age	Premium Rate/\$1000 (Employees & Spouses)
15	\$0.19	36	\$0.58	56	\$2.43
16	0.20	37	0.62	57	2.53
17	0.21	38	0.66	58	2.64
18	0.22	39	0.70	59	2.74
19	0.23	40	0.76	60	2.83
20	0.24	41	0.81	61	2.97
21	0.25	42	0.86	62	3.12
22	0.26	43	0.93	63	3.28
23	0.27	44	1.00	64	3.44
24	0.29	45	1.07	65	3.61
25	0.30	46	1.16	66	3.80
26	0.32	47	1.25	67	3.99
27	0.34	48	1.36	68	4.19
28	0.35	49	1.48	69	4.41
29	0.37	50	1.61	70	4.64
30	0.40	51	1.76	71	4.88
31	0.42	52	1.93	72	5.14
32	0.44	53	2.13	73	5.42
33	0.47	54	2.36	74	5.71
34	0.51	55	2.31	75	6.03
35	0.54				

C.3.1.1 **Monthly Premium Rates per \$1000 of Coverage: Waiver of Premium only charges**

Issue Age	Waiver of Premium Rate/\$1000 (Employees & Spouses)	Issue Age	Waiver of Premium Rate/\$1000 (Employees & Spouses)	Issue Age	Waiver of Premium Rate/\$1000 (Employees & Spouses)

15	\$0.01	36	\$0.02	56	\$0.21
16	0.01	37	0.02	57	0.24
17	0.01	38	0.02	58	0.27
18	0.01	39	0.02	59	0.30
19	0.01	40	0.03	60	0.00
20	0.01	41	0.03	61	0.00
21	0.01	42	0.03	62	0.00
22	0.01	43	0.03	63	0.00
23	0.01	44	0.04	64	0.00
24	0.01	45	0.04	65	0.00
25	0.01	46	0.05	66	0.00
26	0.01	47	0.05	67	0.00
27	0.01	48	0.06	68	0.00
28	0.01	49	0.07	69	0.00
29	0.01	50	0.08	70	0.00
30	0.01	51	0.09	71	0.00
31	0.01	52	0.11	72	0.00
32	0.01	53	0.13	73	0.00
33	0.01	54	0.15	74	0.00
34	0.02	55	0.17	75	0.00
35	0.02				

C.3.2 Monthly Cost of Insurance Rates/\$1000 of Coverage

Attained Age	COI Rate/\$1000 (Employees & Spouses)	Attained Age	COI Rate/\$1000 (Employees & Spouses)	Attained Age	COI Rate/\$1000 (Employees & Spouses)
15	\$0.04356	42	\$1.13038	69	\$11.061533
16	0.05313	43	1.14415	70	11.77241
17	0.05808	44	1.15938	71	11.94491
18	0.06198	45	1.17638	72	21.13566
19	0.06517	46	1.19479	73	21.34849
20	0.06765	47	1.21427	74	21.58796
21	0.06871	48	1.23552	75	21.85794
22	0.06871	49	1.25819	76	31.16088
23	0.06800	50	1.28298	77	31.49994
24	0.06694	51	1.30990	78	31.87651
25	0.06552	52	1.34000	79	41.28955
26	0.06375	53	1.37294	80	41.74010
27	0.06198	54	1.40871	81	51.22572
28	0.06127	55	1.44638	82	51.74674
29	0.06056	56	1.48594	83	61.30914
30	0.06021	57	1.52755	84	61.92063
31	0.06092	58	1.57288	85	71.58051
32	0.06198	59	1.62167	86	81.28948
33	0.06410	60	1.67413	87	91.04683
34	0.06729	61	1.73060	88	91.85010
35	0.07119	62	1.79240	89	101.69091
36	0.07579	63	1.85942	90	111.56607
37	0.08146	64	1.93146	91	121.47489
38	0.08854	65	1.111990	92	131.41806
39	0.09669	66	1.22648	93	141.39491
40	0.10625	67	1.34894	94	151.40611
41	0.11794	68	1.47297		

C.3.3 Administrative Fee

The Contractor's per payment Administrative Fee for the administration of the Optional Universal Life Insurance coverage is:

- \$1.00 per month employee coverage

- \$1.00 per month spouse coverage

C.3.4 Percent of Premium Loads

The Contractor shall maintain the following percent of Premium Loads throughout the term of the contract:

Year One	0%
Year Two	0%
Year Three	0%

Year Four	0%
Year Five	0%

C.3.5 Asset Based Charges

The Contractor shall maintain the following Asset Based Charges, expressed as percent of Cash Values, throughout the term of the contract:

Year One	0%
Year Two	0%
Year Three	0%

Year Four	0%
Year Five	0%

C.3.6 Surrender Charges

The Contractor's Surrender Charges, as a percent of accumulated cash value, for individuals canceling participation in Optional Universal Life Insurance coverage are:

Year One	40%
Year Two	40%
Year Three	40%

Year Four	40%
Year Five	20%

C.3.7 Interest Crediting Rates

The monthly interest crediting rate, beginning September 1, 2005 and ending June 30, 2008 shall be equal to one twelfth of the greater of:

- a minimum effective interest crediting rate of Five percent (5%) for year one of the contract; five percent (5%) for year two of the contract; and five percent (5%) for year three of the contract (Absolute Minimum); OR
- the published six month U. S. treasury bill discount rate, established as a result of the auction coinciding with or immediately following the 15th day of the month preceding the monthly anniversary date, plus ten basis points (Variable Rate); OR
- a rate declared quarterly, in advance, by the Contractor; OR
- four and one half percent (4.5%).

C.3.8 Certificate Loan Interest Rate

The Contractor agrees to the following annual Loan Interest Rates, for each of the first three years of the contract – September 1, 2005 through June 30, 2008.

2005	7.5%
2006	7.5%
2007	7.5%

If the contract is extended for 2008 and 2009, we agree that the annual Loan Interest Rate presented for 2007 will be the maximum interest rate for the period of the extension.

- C.4 The Contractor shall submit invoices for completed work, in form and substance acceptable to the State with all of the necessary supporting documentation, prior to any payment. Payments to the Contractor shall be based upon payroll deduction information provided by the Contractor and payment of premium by former employees who are paying premium directly to the Contractor. The payroll deduction information shall be provided in a form and medium acceptable to the State and, at a minimum, shall include employees' identification numbers, the type(s) and amount(s) of coverage, and the deduction amounts.

The payroll deduction information and the individual statements to former employees continuing participation shall be considered invoices for services.

- C.5 The monthly premium rates multiplied by the volumes of insurance, plus the appropriate administrative fee(s) constitute the maximum payment from each of the participating employees.

- C.6 Travel Compensation. The Contractor shall not be compensated or reimbursed for travel, meals, or lodging.
- C.7 Payment of Invoice. The payment of the invoice by the State shall not prejudice the State's right to object to or question any invoice or matter in relation thereto. Such payment by the State shall neither be construed as acceptance of any part of the work or service provided nor as an approval of any of the amounts invoiced therein.
- C.8 Invoice Reductions. The Contractor's invoice shall be subject to reduction for amounts included in any invoice or payment theretofore made which are determined by the State, on the basis of audits conducted in accordance with the terms of this contract, not to constitute proper remuneration for compensable services.
- C.9 Deductions. The State reserves the right to deduct from amounts which are or shall become due and payable to the Contractor under this or any contract between the Contractor and the State of Tennessee any amounts which are or shall become due and payable to the State of Tennessee by the Contractor.
- C.10 Automatic Deposits. The Contractor shall complete and sign an "Authorization Agreement for Automatic Deposit (ACH Credits) Form." This form shall be provided to the Contractor by the State. Once this form has been completed and submitted to the State by the Contractor all payments to the Contractor, under this or any other contract the Contractor has with the State of Tennessee shall be made by Automated Clearing House (ACH). The Contractor shall not invoice the State for services until the Contractor has completed this form and submitted it to the State.

D STANDARD TERMS AND CONDITIONS:

- D.1 Required Approvals. The State is not bound by this Contract until it is approved by the appropriate State officials in accordance with applicable Tennessee State laws and regulations.
- D.2 Modification and Amendment. This Contract may be modified only by a written amendment executed by all parties hereto and approved by the appropriate Tennessee State officials in accordance with applicable Tennessee State laws and regulations.
- D.3 Termination for Convenience. The Contract may be terminated by either party, with the following notification requirements: the Contractor shall give written notice to the State at least Two Hundred Seventy (270) days before the effective date of termination; the State shall give written notice to the Contractor at least Ninety (90) days before the effective date of termination. The Contractor shall be entitled to receive compensation for satisfactory, authorized service completed as of the termination date, but in no event shall the State be liable to the Contractor for compensation for any service which has not been rendered. Upon such termination, the Contractor shall have no right to any actual general, special, incidental, consequential, or any other damages whatsoever of any description or amount.
- D.4 Termination for Cause. If the Contractor fails to properly perform its obligations under this Contract in a timely or proper manner, or if the Contractor violates any terms of this Contract, the State shall have the right to immediately terminate the Contract and withhold payments in excess of fair compensation for completed services. Notwithstanding the above, the Contractor shall not be relieved of liability to the State for damages sustained by virtue of any breach of this Contract by the Contractor.
- D.5 Subcontracting. The Contractor shall not assign this Contract or enter into a subcontract for any of the services performed under this Contract without obtaining the prior written approval of the State. If such subcontracts are approved by the State, they shall contain, at a minimum, sections of this Contract pertaining to "Conflicts of Interest" and "Nondiscrimination" (sections D.6. and D.7.). Notwithstanding any use of approved subcontractors, the Contractor shall be the prime contractor and shall be responsible for all work performed.
- D.6 Conflicts of Interest. The Contractor warrants that no part of the total Contract Amount shall be paid directly or indirectly to an employee or official of the State of Tennessee as wages, compensation, or gifts

in exchange for acting as an officer, agent, employee, subcontractor, or consultant to the Contractor in connection with any work contemplated or performed relative to this Contract.

- D.7 Nondiscrimination. The Contractor hereby agrees, warrants, and assures that no person shall be excluded from participation in, be denied benefits of, or be otherwise subjected to discrimination in the performance of this Contract or in the employment practices of the Contractor on the grounds of disability, age, race, color, religion, sex, national origin, or any other classification protected by Federal, Tennessee State constitutional, or statutory law. The Contractor shall, upon request, show proof of such nondiscrimination and shall post in conspicuous places, available to all employees and applicants, notices of nondiscrimination.
- D.8 Records. The Contractor shall maintain documentation for all charges against the State under this Contract. The books, records, and documents of the Contractor, insofar as they relate to work performed or money received under this contract, shall be maintained for a period of three (3) full years from the date of the final payment and shall be subject to audit at any reasonable time and upon reasonable notice by the State, the Comptroller of the Treasury, or their duly appointed representatives. The financial statements shall be prepared in accordance with generally accepted accounting principles.
- D.9 Monitoring. The Contractor's activities conducted and records maintained pursuant to this Contract shall be subject to monitoring and evaluation by the State, the Comptroller of the Treasury, or their duly appointed representatives.
- D.10 Progress Reports. The Contractor shall submit brief, periodic, progress reports to the State as requested.
- D.11 Strict Performance. Failure by any party to this Contract to insist in any one or more cases upon the strict performance of any of the terms, covenants, conditions, or provisions of this Contract shall not be construed as a waiver or relinquishment of any such term, covenant, condition, or provision. No term or condition of this Contract shall be held to be waived, modified, or deleted except by a written amendment signed by the parties hereto.
- D.12 Independent Contractor. The parties hereto, in the performance of this Contract, shall not act as employees, partners, joint venturers, or associates of one another. It is expressly acknowledged by the parties hereto that such parties are independent contracting entities and that nothing in this Contract shall be construed to create an employer/employee relationship or to allow either to exercise control or direction over the manner or method by which the other transacts its business affairs or provides its usual services. The employees or agents of one party shall not be deemed or construed to be the employees or agents of the other party for any purpose whatsoever.

The Contractor, being an independent contractor and not an employee of the State, agrees to carry adequate public liability and other appropriate forms of insurance, including adequate public liability and other appropriate forms of insurance on the Contractor's employees, and to pay all applicable taxes incident to this Contract.

- D.13 State Liability. The State shall have no liability except as specifically provided in this Contract.
- D.14 Force Majeure. The obligations of the parties to this contract are subject to prevention by causes beyond the parties' control that could not be avoided by the exercise of due care including, but not limited to, acts of God, riots, wars, strikes, epidemics or any other similar cause.
- D.15 State and Federal Compliance. The Contractor shall comply with all applicable State and Federal laws and regulations in the performance of this Contract.
- D.16 Governing Law. This Contract shall be governed by and construed in accordance with the laws of the State of Tennessee. The Contractor agrees that it will be subject to the exclusive jurisdiction of the courts of the State of Tennessee in actions that may arise under this Contract. The Contractor acknowledges and agrees that any rights or claims against the State of Tennessee or its employees hereunder, and any remedies arising therefrom, shall be subject to and limited to those rights and remedies, if any, available under **Tennessee Code Annotated**, Sections 9-8-101 through 9-8-407.

- D.17 Completeness. This Contract is complete and contains the entire understanding between the parties relating to the subject matter contained herein, including all the terms and conditions of the parties' agreement. This Contract supersedes any and all prior understandings, representations, negotiations, and agreements between the parties relating hereto, whether written or oral.
- D.18 Severability. If any terms and conditions of this Contract are held to be invalid or unenforceable as a matter of law, the other terms and conditions hereof shall not be affected thereby and shall remain in full force and effect. To this end, the terms and conditions of this Contract are declared severable.
- D.19 Headings. Section headings of this Contract are for reference purposes only and shall not be construed as part of this Contract.

E SPECIAL TERMS AND CONDITIONS:

- E.1 Conflicting Terms and Conditions. Should any of these special terms and conditions conflict with any other terms and conditions of this Contract, these special terms and conditions shall control.
- E.2 The maximum issue amount of insurance under the Optional Life Insurance Program shall be five (5) times annual base salary, then rounded to the next highest \$5,000 increment up to a maximum of \$300,000. The guarantee issue amount of insurance under the Optional Life Insurance Program shall be sixty percent (60%) of the maximum issue amount rounded to the next highest \$5,000 increment. The minimum issue amount is \$5000 for each employee.
- The State reserves the right to negotiate with the Contractor to increase the maximum issue amounts and to adjust the unit rates based on the increase in coverage. Such changes would be effected through an amendment to the contract.
- E.3 The Contractor will allow for cash value transfer from existing Permaplan program (as provided through Contract No. FA 1051, State of Tennessee and Group Policy No. 6288, Provident), with such transfer used to increase cash value. Such transfers of Permaplan cash values will not be subject to any loading charges, including surrender charges. If the Universal Life is surrendered, the surrender charge will not serve to reduce the cash value beyond the transferred Permaplan cash value. Further, the provisions of the contract between the State and Provident relative to payment of Permaplan cash values in twelve equal monthly installments in the event of termination of the contract will not be invoked at this transfer.
- E.4 All current and former employees enrolled in the State-sponsored optional universal life coverage on August 31, 2005 shall be transferred to the coverage established in this contract.
- E.4.1 Employees employed on and after June 1, 2005 may enroll within a full calendar month of the first day of work on a guaranteed issue and maximum issue basis. Coverage shall become effective on the first day of the month following three full months of employment.
- E.4.2 During the State's Annual Enrollment/Transfer Period (generally between October 15 and November 15 of each year), employees may qualify to participate in the Plan or to increase amounts of coverage by demonstrating insurability through the response to health questions. Coverage shall become effective the first of January, February or March of the following year. Employees may also elect to decrease the face amount.
- E.4.3 Each year, beginning January 1, current participants may increase the face amount of their coverage by up to \$5,000 if that action will not exceed the guarantee issue amount or the combined maximum coverage amount for the Optional Term and Optional Universal life insurance.
- E.5 Upon termination of this Contract, the Contractor shall provide an indication of the amount of insurance maintained by individual participants, the accumulated cash value and other pertinent data to the State or its designated agent. The information shall be furnished on an electronic data processing tape or such other data processing format as is compatible with the data processing system maintained by the State as described in the RFP. Additionally, the Contractor shall provide all information necessary to properly interpret the data supplied. To insure the continuous operation of the program and upon 30 days notice, this information shall be provided to the State or its designated agent at least 45 days prior to the

termination date of this Contract; further, the State may require the Contractor to provide this information at various other times prior to or after the termination date of this Contract. It shall be the responsibility of the Contractor to process all claims delivered to it on or before the termination of this Contract. No compensation, beyond that specified in this Contract, shall be paid for completion of this task as it is recognized to be part of the Administrator's responsibilities.

- E.6 Upon termination of this Contract, the Contractor agrees to transfer to the State, or a party designated by the State – in up to twelve (12) successive monthly installments, payable on the first day of the month – all sums accumulated by the Contractor on behalf of participants in accordance with the provisions of this Contract and the group policy. Such transfers will be designated transfers under Internal Revenue Code 1035. Cost basis in existing policies will be transferred to new policies.

The first installment of the transfer payments shall take place on the first day of the successor contract. During the period that cash values remain with the Contractor, at the end of each month, the accumulated cash values will be credited interest at the rate of four and one half percent (4.5%).

- E.6.1 Notwithstanding the above, if the successor Contractor is the incumbent Contractor, all cash values will remain with the Contractor, and the interest crediting provision of the successor contract shall apply at the effective date of the new contract.
- E.7 The contractor shall forego any surrender charges in the event of a transfer of the universal life insurance to another carrier or in the event of termination of the coverage.
- E.8 The Contractor and the State shall permit participants in the State sponsored Permaplan coverage to roll over into the universal life insurance coverage. In the event of a participant rollover, the Contractor shall credit (amount) years of participation toward the surrender charges.
- E.9 For the purpose of determining eligibility for coverage, upon each election, the Governor, Members of the General Assembly, State Judges, District Attorneys, Public Defenders, the State Treasurer, the Comptroller, and the Secretary of State shall be considered newly eligible employees.
- E.10 Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by facsimile transmission, by overnight courier service, or by first class mail, postage prepaid, addressed to the respective party at the appropriate facsimile number or address as set forth below or to such other party, facsimile number, or address as may be hereafter specified by written notice.

The State: Paul Hauser, RFP Coordinator Tennessee Department of Finance & Administration Division of Insurance Administration 312 Eighth Ave. No., 13 th Floor WRS Tennessee Tower Nashville, TN 37243-0295 Phone: 615-741-9896 Fax: 615-741-8196 Email: paul.c.hauser@state.tn.us	The Contractor: Gail Raines Provident Life And Accident Insurance Company One Fountain Square Chattanooga, TN 37402 Phone: 423-755-2483 Fax) 423-209-4689 Email: GRaines@unumprovident.com
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All instructions, notices, consents, demands, or other communications shall be considered effectively given as of the day of delivery; as of the date specified for overnight courier service delivery; as of three (3) business days after the date of mailing; or on the day the facsimile transmission is received mechanically by the telefax machine at the receiving location and receipt is verbally confirmed by the sender if prior to 4:30 p.m. CST. Any communication by facsimile transmission shall also be sent by United States mail on the same date of the facsimile transmission.

- E.11 Breach. A party shall be deemed to have breached the Contract if any of the following occurs:
- failure to perform in accordance with any term or provision of the Contract;
 - partial performance of any term or provision of the Contract;
 - any act prohibited or restricted by the Contract, or
 - violation of any warranty.

For purposes of this contract, these items shall hereinafter be referred to as a "Breach."

a. Contractor Breach— The State shall notify Contractor in writing of a Breach.

(1) In event of a Breach by Contractor, the state shall have available the remedy of Actual Damages and any other remedy available at law or equity.

(2) Partial Default— In the event of a Breach, the State may declare a Partial Default. In which case, the State shall provide the Contractor written notice of: (1) the date which Contractor shall terminate providing the service associated with the Breach; and (2) the date the State will begin to provide the service associated with the Breach. Notwithstanding the foregoing, the State may revise the time periods contained in the notice written to the Contractor.

In the event the State declares a Partial Default, the State may withhold, together with any other damages associated with the Breach, from the amounts due the Contractor the greater of: (1) amounts which would be paid the Contractor to provide the defaulted service; or (2) the cost to the State of providing the defaulted service, whether said service is provided by the State or a third party. To determine the amount the Contractor is being paid for any particular service, the Department shall be entitled to receive within five (5) days any requested material from Contractor. The State shall make the final and binding determination of said amount.

The State may assess Liquidated Damages against the Contractor for any failure to perform which ultimately results in a Partial Default with said Liquidated Damages to cease when said Partial Default is effective. Upon Partial Default, the Contractor shall have no right to recover from the State any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount. Contractor agrees to cooperate fully with the State in the event a Partial Default is taken.

(3) Contract Termination— In the event of a Breach, the State may terminate the Contract immediately or in stages. The Contractor shall be notified of the termination in writing by the State. Said notice shall hereinafter be referred to as Termination Notice. The Termination Notice may specify either that the termination is to be effective immediately, on a date certain in the future, or that the Contractor shall cease operations under this Contract in stages. In the event of a termination, the State may withhold any amounts which may be due Contractor without waiver of any other remedy or damages available to the State at law or at equity. The Contractor shall be liable to the State for any and all damages incurred by the State and any and all expenses incurred by the State which exceed the amount the State would have paid Contractor under this Contract. Contractor agrees to cooperate with the State in the event of a Contract Termination or Partial Takeover.

b. State Breach— In the event of a Breach of contract by the State, the Contractor shall notify the State in writing within 30 days of any Breach of contract by the State. Said notice shall contain a description of the Breach. Failure by the Contractor to provide said written notice shall operate as an absolute waiver by the Contractor of the State's Breach. In no event shall any Breach on the part of the State excuse the Contractor from full performance under this Contract. In the event of Breach by the State, the Contractor may avail itself of any remedy at law in the forum with appropriate jurisdiction; provided, however, failure by the Contractor to give the State written notice and opportunity to cure as described herein operates as a waiver of the State's Breach. Failure by the Contractor to file a claim before the appropriate forum in Tennessee with jurisdiction to hear such claim within one (1) year of the written notice of Breach shall operate as a waiver of said claim in its entirety. It is agreed by the parties this provision establishes a contractual period of limitations for any claim brought by the Contractor.

E.12 Incorporation of Additional Documents. Included in this Contract by reference are the following documents:

- a. The Contract document and its attachments
- b. The Group Master Policy
- c. All Clarifications and addenda made to the Contractor's Proposal
- d. Amendment 1 to Request for Proposals #317.86-029
- e. Request for Proposal #317.86-029

- f. Technical Specifications provided to the Contractor
- g. The Contractor's Proposal in Response to RFP #317.86-029

In the event of a discrepancy or ambiguity regarding the Contractor's duties, responsibilities, and performance under this Contract, these documents shall govern in order of precedence detailed above.

- E.13 Confidentiality of Records. Strict standards of confidentiality of records shall be maintained in accordance with the law. All material and information, regardless of form, medium or method of communication, provided to the Contractor by the State or acquired by the Contractor on behalf of the State shall be regarded as confidential information in accordance with the provisions of State law and ethical standards and shall not be disclosed, and all necessary steps shall be taken by the Contractor to safeguard the confidentiality of such material or information in conformance with State law and ethical standards.

The Contractor will be deemed to have satisfied its obligations under this section by exercising the same level of care to preserve the confidentiality of the State's information as the Contractor exercises to protect its own confidential information so long as such standard of care does not violate the applicable provisions of the first paragraph of this section.

The Contractor's obligations under this section do not apply to information in the public domain; entering the public domain but not from a breach by the Contractor of this Contract; previously possessed by the Contractor without written obligations to the State to protect it; acquired by the Contractor without written restrictions against disclosure from a third party which, to the Contractor's knowledge, is free to disclose the information; independently developed by the Contractor without the use of the State's information; or, disclosed by the State to others without restrictions against disclosure.

It is expressly understood and agreed the obligations set forth in this section shall survive the termination of this Contract.

- E.14 Date/Time Hold Harmless. As required by **Tennessee Code Annotated**, Section 12-4-118, the contractor shall hold harmless and indemnify the State of Tennessee; its officers and employees; and any agency or political subdivision of the State for any breach of contract caused directly or indirectly by the failure of computer software or any device containing a computer processor to accurately or properly recognize, calculate, display, sort or otherwise process dates or times.

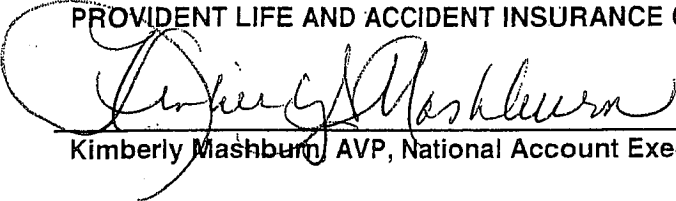
- E.15 Tennessee Consolidated Retirement System. The Contractor acknowledges and understands that, subject to statutory exceptions contained in **Tennessee Code Annotated**, Section 8-36-801, *et. seq.*, the law governing the Tennessee Consolidated Retirement System, provides that if a retired member returns to State employment, the member's retirement allowance is suspended during the period of the employment. Accordingly and notwithstanding any provision of this Contract to the contrary, the Contractor agrees that if it is later determined that the true nature of the working relationship between the Contractor and the State under this Contract is that of "employee/employer" and not that of an independent contractor, the Contractor may be required to repay to the Tennessee Consolidated Retirement System the amount of retirement benefits the Contractor received from the Retirement System during the period of this Contract.

- E.16 Debarment and Suspension. The Contractor certifies, to the best of its knowledge and belief, that it and its principals:
- a. are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal or State department or agency;
 - b. have not within a three (3) year period preceding this Contract been convicted of, or had a civil judgment rendered against them from commission of fraud, or a criminal offense in connection with obtaining attempting to obtain, or performing a public (Federal, State, or Local) transaction or grant under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification, or destruction of records, making false statements, or receiving stolen property;
 - c. are not presently indicted for or otherwise criminally or civilly charged by a government entity (Federal, State, or Local) with commission of any of the offenses detailed in section b. of this certification; and

- d. have not within a three (3) year period preceding this Contract had one or more public transactions (Federal, State, or Local) terminated for cause or default.

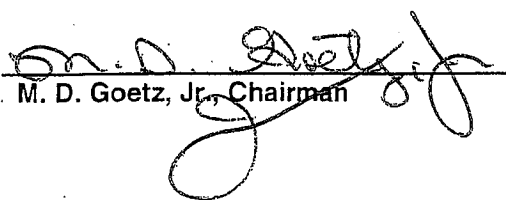
IN WITNESS WHEREOF:

PROVIDENT LIFE AND ACCIDENT INSURANCE COMPANY:


Kimberly Mashburn, AVP, National Account Executive

6.22.05
Date

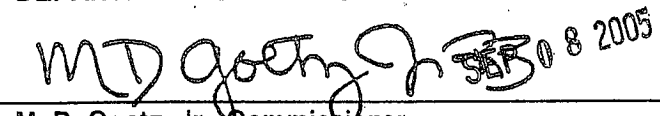
STATE OF TENNESSEE,
STATE INSURANCE COMMITTEE:


M. D. Goetz, Jr., Chairman

7-1-05
Date

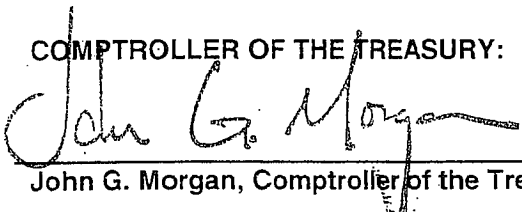
APPROVED:

DEPARTMENT OF FINANCE AND ADMINISTRATION:


M. D. Goetz, Jr., Commissioner

SEP 8 2005
Date

COMPTROLLER OF THE TREASURY:



John G. Morgan, Comptroller of the Treasury

9/12/05
Date

**Contract Attachment A
Performance Guarantees**

1. Program implementation: Systems	
Guarantee	Preparation for On-line enrollment administration and claims processing, as well as Customer Service operations shall be completed by August 1, 2005.
Definition	The Contractor shall have in place no later than August 1, 2005 the systems configuration(s) and programming, hardware, software, and staff necessary for on-line enrollment administration, premium administration, claims processing and Customer Services operations (including toll-free telephone line staffing by trained customer service representatives).
Non-performance amount	<u>\$ 5,000.00</u> for failure to have all of the above listed functions ready by August 1, 2005.
Measurement	Documentation of compliance will be submitted by the Contractor on or shortly after August 1, 2005 to the State. This guarantee shall be measured once at initial implementation.

2. Tennessee Insurance System Interface: Billing and Enrollment Interface	
Guarantee	For the billing and enrollment feed , the Contractor's interface to the Tennessee Insurance system (TIS) shall be fully operational no less than 30 calendar days prior to commencement of insurance coverage.
Definition	Fully operational with the TIS interface shall mean that electronic files received by the Contractor from the State of Tennessee via email, Internet web posting, compact disc, or any other acceptable electronic medium will be processed and the data loaded directly into the Contractor's production database. The production database will be the source of reference for the contractor's business processes, including but not limited to claims processing and customer service. This shall include electronic transmissions of enrollment and billing records to the State of Tennessee (first electronic feed being August 10, 2005).
Penalty	Should the TIS interface, for Billing and Enrollment, not be fully operational – as defined above – by August 1, 2005, the contractor shall pay to the State of Tennessee a penalty of <u>\$500</u> per day, for every day past the stated deadline, until the corresponding interface is fully operational.
Measurement	The benchmark for determining compliance shall be measured and reported beginning August 1, 2005.

FA CONTRACT INFORMATION SUPPLEMENT FOR ALL FA-TYPE CONTRACTS — COMPLETE <u>EITHER</u> SECTION A <u>OR</u> SECTION B	
Contract RFS #	317.86-029
Contractor:	Provident Life and Accident
SECTION A— CONTRACTOR IS AN INDIVIDUAL	SECTION B— CONTRACTOR IS A COMPANY (e.g., sole proprietorship, partnership, or corporation)
Is or has the contractor been a state employee? <input type="checkbox"/> NO (no additional information required) <input type="checkbox"/> YES	Does an individual, who is or has been a state employee, own controlling interest in (or own) the contractor company? <input checked="" type="checkbox"/> NO (no additional information required) <input type="checkbox"/> YES
Was such employment within the past six months? <input type="checkbox"/> NO <input type="checkbox"/> YES (an approved rule exception permitting a contract within six months of employment is also required)	Was such employment within the past six months? <input type="checkbox"/> NO <input type="checkbox"/> YES (an approved rule exception permitting a contract within six months of employment is also required)
Does the contractor receive Tennessee Consolidated Retirement System (TCRS) retirement benefits? <input type="checkbox"/> NO <input type="checkbox"/> YES (the procuring agency general counsel MUST sign an analysis of this procurement using the TCRS analysis guidelines)	Does the individual who owns controlling interest in the contractor company receive Tennessee Consolidated Retirement System (TCRS) retirement benefits? <input type="checkbox"/> NO <input type="checkbox"/> YES (the procuring agency general counsel MUST sign an analysis of this procurement using the TCRS analysis guidelines)
SIGNATURE	
 9/8/05	
SERVICE CONTRACTS COORDINATOR	DATE